

CURBING RISING GAS COSTS

April 25, 2006



In response to rising gas prices, President Bush ordered a probe into possible price gouging by oil companies and a temporary halt to adding to the nation's emergency oil reserve. Two members of Congress discuss whether the president's plans will make a sufficient impact.

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GWEN IFILL: For more on all of this, I'm now joined from Capitol Hill by Republican Congressman Joe Barton of Texas. He's chairman of the House Energy and Commerce Committee.

And Democrat Bart Stupak of Michigan. He's called for federal inquiries into alleged price gouging by oil and gas suppliers.

We also offered the oil industry's primary trade association a chance to appear, but that group declined our invitation.

Congressman Barton, as chairman of the committee, you may have some response to what the president suggested today about withholding deposits from the Strategic Petroleum Oil Reserve. Why would that do anything for gas prices?

REP. JOE BARTON (R), Texas: Well, that's something that I recommended the White House consider over a year ago, and I'm very pleased that the president endorsed that today.

There are somewhere between 100,000 and 200,000 barrels of oil per day that the federal government is taking in what's called royalty in kind payment and putting that oil into the SPR.

What the president said today is he wouldn't take the oil and put it in the SPR; he'd take the cash and use the cash for some other purpose. I think that's a good idea.

It won't help a lot, but it will help some. You know, 100,000 to 200,000 barrels a day is about what the increase in demand is in the United States on a daily basis this year.

GWEN IFILL: Why not release some of the oil from the Strategic Reserve as past presidents have done?

REP. JOE BARTON: Well, if you had a true supply interruption that was a national emergency that was a threat to the economy, he should do that. But what we have now is the classic supply-demand equation. And while the price is very high and the supplies are very tight, it's not a national supply emergency. So, by law, he is not allowed to release the SPR.

GWEN IFILL: Congressman Stupak, what do you think about the president's suggestion, that one and others made today?

REP. BART STUPAK (D), Michigan: Well, the one on, you know, stop putting the oil in the Strategic Petroleum Reserve, I agree with that. I actually had the amendment which Chairman Barton did accept when we were doing the energy bill a year ago.

So I'm glad to see the president at least do that. It's a start, but it may be a little bit too late. What I wish the president would do -- and the chairman, too -- is allow my bill, the FREE Act, to come before the Congress.

See, when the president calls for an investigation by the FTC into the price of oil to see if there's gouging going on, it doesn't do us any good, because the FTC, the Federal Trade Commission, has never brought a case for price gouging on petroleum products ever.

Why? Because we have no clear definition of: What is price gouging? What is market manipulation? What is predatory pricing practices? We do not have a standard at the federal level.

If the FTC is going to investigate these outrageous prices we're paying right now, they have to rely upon antitrust laws or anti-monopoly laws, and that does not get you price gouging, market manipulation.

GWEN IFILL: But, Congressman Stupak...

What the president said today is he wouldn't take the oil and put it in the SPR; he'd take the cash and use the cash for some other purpose. I think that's a good idea. It won't help a lot, but it will help some. You know, 100,000 to 200,000 barrels a day is about what the increase in demand is in the United States on a daily basis this year.

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R-Texas

REP. BART STUPAK: So our bill would do that. And we've had the bill since last September, and we urge the president and Chairman Barton to bring our bill to the floor for a clean vote.

GWEN IFILL: Congressman Stupak, how do we know that what's going on right now is gouging and not just a disruption caused by circumstances outside of the Congress' or the president's control?

REP. BART STUPAK: Sure, Gwen. When we were doing the Energy Policy Act last fall, in the town of Midland, right by my district there, gas went up 90 cents in one day. Now, is that not gouging?

If you take a look at it, from September 2004 until September 2005, refineries have increased their prices 255 percent. Isn't that gouging?



I mean, I think we all know what gouging is. What we need is a federal standard so we can hold the oil companies' feet to the fire and make sure we know what factor goes into every gallon of gasoline, so at least the American public will have some transparency and get a fair shake on what goes into a price of a gallon of gasoline.

GWEN IFILL: Well, let me ask Congressman Barton where he agrees with you that this is a clear example of price gouging. I saw a poll today where 69 percent of Americans say that gas prices are causing them a severe hardship. How do you tell them it's not because they're being gouged?

REP. JOE BARTON: Well, I saw the same poll, and I'm very concerned about it, just as Congressman Stupak is.

But, in terms of price gouging legislation at the federal level, the Gas Act that passed the House last fall gives some increased enforcement authority to the FTC on price gouging. It doesn't go as far as Congressman Stupak would -- his bill would go, but it does give increased authority.

But the bottom line on price gouging, it's not gouging when supply is tight and demand is increasing. In this country this year, demand went down slightly after the Katrina hurricane. It's since recovered, and demand is going up about 1.5 percent a year.

You know, we're not finding an additional 1.5 percent of oil reserves to convert to gasoline in this country or in any other country. So, you know, the price is a lot higher than I want it to be and Congressman Stupak wants it to be, but it's because of supply and demand.

It is not, on a national level, because of price gouging. There may be local instances. Congressman Stupak may be right about that. But, nationally, it is not price gouging.

GWEN IFILL: So let's take gouging off the table for a moment there, Congressman Barton. What do you tell people about why they've seen their gas prices go up 25 cents a gallon in the last week?

What is the reason? Is it because there are big salaries being paid? Is it because there are disruptions elsewhere? What is the reason?

REP. JOE BARTON: It's because the world is using about 30 billion barrels of oil per year, and the world isn't finding 30 billion barrels of oil per year to replace it. We still have over 300,000 barrels of production shut in, in the Gulf of Mexico, because of Katrina and Rita, and we still have demand in this country going up.

We also took -- we didn't legislate that we take MTBE, the fuel additive, out of gasoline, but when we didn't protect it against liability in the energy bill last summer, many manufacturers and pipelines decided on their own to take MTBE out of the gasoline.

That's taking about -- in the areas where it's being used and it was being used in the gasoline, that's taking 30 percent of the volume of gasoline out of the market. And in the Dallas-Fort Worth area, that's one of the primary reasons that gasoline prices have gone up so much in the last two weeks.

GWEN IFILL: So you're suggesting that, by replacing this additive with, say, ethanol blends, so that is also adding to the cost?

REP. JOE BARTON: Well, I'm not -- we increased the ethanol mandate in last year's energy bill; I support that. The problem you've got now in the ethanol economy is that the price of ethanol is as high as the price of gasoline.

So, you know, and we don't have the production capacity in the United States to meet the requirements for ethanol that we put in last year's Energy Act. That's one of the things that we're going to hold hearings on, is to try to get all of those facts out on the table.

GWEN IFILL: Pardon me for interrupting you.

REP. JOE BARTON: Excuse me, no.

GWEN IFILL: Congressman Stupak, the president also suggested today that Congress take some action to withdraw tax incentives which have been granted to the industry. Do you think that would do something to bring prices down?

REP. BART STUPAK: Well, it's not tax incentives or taxes that have gone up on gas that has caused this increase. I mean, a year ago, gas was \$2.25. Now, the average, as said on top of your show, it's \$2.91.

Why is that? Because there's been a conscientious effort by the oil companies to limit the refined product, to limit that supply.

And then, what is gasoline, the price based upon? Fear. The whole market is based on speculation, and then speculation is based on fear.

Remember, this run-up started because we started talking about Iran. So when you get speculation, you've got an unregulated industry here. Remember, when it put up those oil bids, that's an unregulated industry.

It's an unregulated industry based on fear and greed; that's what it comes down to. Those are the three factors that are driving this. There's nothing that's changed in the last two weeks here that should drive this up.

Now, as far as that the president was talking about the tax cuts in the energy bill we did pass, that Mr. Barton spoke of, we actually tried to take away the royalties that -- to pay the royalties that the oil companies on drilling on federal land. That failed.

We also tried to put taxes on -- even the president has said, if you can't make a profit when a barrel of oil is over \$40, maybe you shouldn't be in the oil business. Well, oil is \$73, and they're still not paying their fair share of taxes to the federal government.

There's the Higgins bill that's pending before the House. It's been sitting there for at least six months. There's the Markey bill that's sitting before the House. We want this legislation to come forward.

I would hope the president, the House, the Senate, all controlled by the Republican Party, would finally say: Let's have a true debate on energy policy here in this country. Put forth the bills that have been put forth for the last six to eight months, and you'll see the Democrats have put forth many good ideas to bring down the price of gasoline and immediate relief at the pump.

And we'd love to do that. But when one party controls the whole thing -- and, unfortunately, the president and vice president are oil people -- it's pretty hard to get anyone to really pay attention to that at the White House.

GWEN IFILL: Let me ask the congressman, the chairman, who is a member of the party you're talking about, about these profits which have been suggested, Congressman Barton, and there are a lot of members of Congress, of the other party mostly, who have been suggesting there should be a windfall tax on these profits, on these incredible increases, and that that money should come back as a rebate to the people who are filling up at the pump. What do you think?

REP. JOE BARTON: Well, the one way to ensure that we don't get additional supply and that prices go even higher is to put a windfall profits tax on. Then you're going to have no investment, no additional production exploration, and the price will go even higher.

I think we all know what gouging is. What we need is a federal standard so we can hold the oil companies' feet to the fire and make sure we know what factor goes into every gallon of gasoline, so at least the American public will have some transparency and get a fair shake on what goes into a price of a gallon of gasoline.

REP. BART STUPAK
D-Mich.

I'd also like to point out that last summer's energy bill passed the House and the Senate on a bipartisan basis, and Congressman Stupak was a part of that. I believe he voted for the final passage of the bill and offered some substantive amendments that are now in the law.

If either party had a magic-bullet solution, we would put it out there, and I think everybody would vote for it.

The reason that prices are high right now -- it's not because the industry is out unilaterally raising the price; it's because demand is going up worldwide and we're not finding the oil to replace the oil that we're using. This is a demand increase.

Now, there may be some speculation. You know, Congressman Stupak may be right: There may be some speculation in the markets, the commodity futures market. We're going to take a look at that.

But this is primarily a demand-driven price increase. If every person in the world who uses gasoline or diesel fuel would cut their consumption by 10 percent, the world would soon be awash in oil and the price would probably go down a dollar a gallon in the next six months. But who's going to do that?

GWEN IFILL: Well, no magic bullet, at least not here, not tonight. Congressman Joe Barton, Congressman Bart Stupak, thank you both for joining us.

REP. JOE BARTON: Thank you.